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June 23, 2017

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write to you – on behalf of the hardworking, middle class taxpayers we represent – to express our deep concerns about the proposed elimination of the state and local tax (SALT) deduction. As you know, the SALT deduction permits taxpayers to subtract their tax payments to state and local governments from their federally taxable income. Without the SALT deduction, taxpayers in all 50 states and in the District of Columbia would be doubly taxed – they would pay federal income taxes on the money they pay to their state and local governments. Such a policy is eminently unfair, as the federal tax code has recognized for the past 103 years.

State and local tax deductibility has been a feature of our system since the first three-page income tax in 1913. A century later, it continues to make just as much sense to avoid a crowding-out ‘double-tax.’ The deduction supports principles like homeownership, lower middle-income taxes, local school funding, tailored social services, and incentives for people to live where local government stewards the public money.

Double taxation belies the basic philosophical underpinning of a smaller, leaner government. Citizens are forced to spend a percentage of their earnings on state and local taxes or face severe legal consequences. The portion of their income dedicated to state and local government coffers, therefore, is not “earnings” under even the most liberal definition. To tax citizens on income they never see – regardless of the massive amounts of revenue it may raise for the federal government – is contradictory to our basic perspective on government largesse.

We firmly believe in the long-held conservative economic orthodoxy that higher taxes reduce incentives to work. The SALT deduction affects filers’ taxable income, so its elimination would push some people into higher marginal tax brackets and would thus reduce incentives to work and invest. In fact, eliminating the SALT deduction would reduce long-run GDP by 0.4 percent and would lead to over 200,000 jobs lost.

The deduction for state and local taxes matters for all Americans, but it affects New York disproportionately. The state has 3.2 million residents who claim the deduction, and New York’s itemizers make up primarily lower- and middle-income households: 85% of those who claim the SALT deduction earn less than \$200,000 in annual income. The vast majority of those people are homeowners. The National Association of Realtors said eliminating the deduction would “nullify the current tax

benefits of owning a home for the vast majority of tax filers.” In fact, New York proudly pays more than its fair share to the federal government. The state has been a net payer to the federal government for decades, and while New York City residents pay \$96 billion in personal income taxes, the city receives back only about \$61 billion from the federal government.

Because we laud and support the goals of growth and job creation, tax simplification, and tax relief, any reform package must equal the benefits that state and local tax deductibility have already provided for over 100 years. Indeed, we anticipate such benefits for the people we represent because of your statements to our delegation about the offsetting proposed increase in the standard deduction coupled with simplified and lowered tax brackets. However, before reaching any conclusions, we will analyze any reform package on how it affects our constituents, and we will ultimately do whatever provides our constituents the biggest tax benefit.

We hope you will consider the impact on the people we represent as we continue crafting an innovative plan that also respects long-standing principles of federalism. We are grateful for your leadership in this matter and look forward to continued work on behalf of the American public.


Respectfully,



Daniel M. Donovan, Jr.
Member of Congress




John M. Katko
Member of Congress



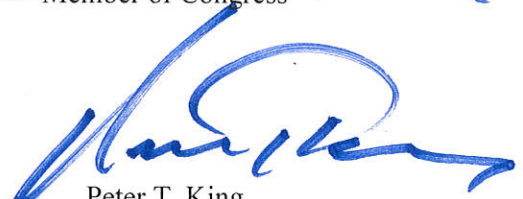
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